
FLAGSHIP FINANCIAL GROUP

2023
ANNUAL
REPORT



SECURITY
BANK & TRUST CO.



FLAGSHIPBANK



EQUAL HOUSING
LENDER

Member
FDIC



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“Together, we will continue to navigate challenges, seize opportunities, and build a brighter future for our communities. Thank you, once again, for your continued support. We consider it an honor to be your trusted financial partner.”

Gale Hoese
CEO
Security Bank & Trust Company
(pictured left)

Andy Schornack
CEO
Flagship Bank Minnesota
(pictured right)

MESSAGE TO OUR STAKEHOLDERS

Trust. Resiliency. Pride. These three words encapsulate our journey through the past year. It is your trust in our bank that underpins our success. We are deeply grateful for the role each of you plays in our community, and we remain committed to earning and strengthening that trust with every interaction.

The year 2023 brought significant challenges to the banking industry. Poor risk management at some large coastal regional banks and media coverage of their struggles heightened concerns about risk across the industry. Additionally, the 5.25% increase in the Fed Funds Rate over the 2022-2023 period added further stress to organizations nationwide. In the face of these challenges, our bank stood out as a beacon of stability and resiliency. Our strong capital position, liquidity, and market presence provided a solid foundation amidst market changes and uncertainty.

We take great pride in reporting that we managed through 2023 admirably. Despite the upheaval, our banks experienced growth in both deposits and lending. We achieved this without relying on wholesale brokered deposits, borrowing from the Federal Reserve Bank or the Federal Home Loan Bank system. Instead, it was the support of our community, depositors, and the trust of our clients, that sustained us.

In 2023, Security Bank & Trust Co. and Flagship Bank Minnesota jointly grew loans by \$66.4 million and deposits by \$35.4 million. Our reinvestment into our communities supported individuals, small to medium-sized businesses, farms, and municipalities, all while maintaining strong capital ratios and earnings.

Looking ahead to 2024, we are excited to announce the expansion of our branch network through the merger of Cambridge State Bank and Flagship Bank Minnesota into Security Bank & Trust Co. This expansion represents a significant milestone in our history, strengthening our ability to serve our clients and communities. With 21 full-service branches across Minnesota, we are poised to provide even greater support and accessibility to our valued clients.

Our commitment to providing exceptional banking experiences remains unwavering. The merger will not change the dedicated team of banking professionals you've come to rely on. We will continue to prioritize personalized service while ensuring a seamless transition and unwavering support for all our clients.

Moreover, we are dedicated to leveraging technology to enhance our clients' banking experiences. Investments in our cash management, mobile, and online banking platforms reflect our commitment to providing technology-driven solutions for your financial needs, and we will continue to prioritize such investments in the coming years.

In closing, I want to express our deepest gratitude for your trust, partnership, and the opportunity to contribute to your financial future. Together, we will continue to navigate challenges, seize opportunities, and build a brighter future for our communities.

Thank you, once again, for your continued support. We consider it an honor to be your trusted financial partner.

Handwritten signature of Gale M. Hoese in black ink.

Gale Hoese, CEO
Security Bank & Trust Co.

Handwritten signature of Andy Schornack in black ink.

Andy Schornack, CEO
Flagship Bank Minnesota

BUILDING COMMUNITY, TOGETHER.

IN 2023, SECURITY BANK & TRUST CO. HAD A FEW BIG PROJECTS THAT MADE A BIG IMPACT IN OUR LOCAL COMMUNITIES.

The Glencoe-Silver Lake Athletic Center

Pictured (left to right): GSL Activities Director Dean Schwirtz, Jon Hoese, Gale Hoese, Tammy Retka, and Chad Hoese



The Glencoe Silver Lake Booster Club had been fundraising for upgrades to the GSL Athletic Center since 2005. Collected funds from golf tournaments, pork chop dinners, plant sales, raffles, concession stands, memberships, local donors, and a \$180,000 from Security Bank made this vision a reality in 2023.

The project includes a 20' x 100' pavilion shelter with concessions, 3 sets of dugouts, scoreboards, and fencing to complete the quad fields used for softball and baseball. The last phase of the project will be to eventually add lighting to be able to hold evening games and host tournaments.



Minnesota's First Net-Zero Library

We are proud to fund the construction of Minnesota's first net-zero library! The new 7,000-square-foot library in Howard Lake's Central Park will generate as much or more energy on site as it consumes. The building's designer, BKV Group, says it will be one of the few net-zero libraries in the country. In addition to the new building's sustainability advancements, it will include better accessibility and gathering spaces for library programs. We cannot wait to see the joy that this library brings to the community and surrounding areas.



BRINGING COMMUNITY TOGETHER.

Security Bank & Trust Co. fostered community spirit in 2023 with the inaugural Glencoe Block Party, welcoming over 1,000 residents. Reminiscent of the bank pig roasts from the 1980s, the event aimed to strengthen neighborhood bonds and celebrate local businesses. Warm summer air filled the streets as attendees enjoyed live music by Josie Sanken, mouthwatering ribs from Alsleben Meats, side dishes from Unhinged Pizza, and refreshing root beer floats. Volunteers from Emanuel Lutheran Church contributed their time and expert grill skills, further strengthening community ties.



Beyond the delectable offerings, the event provided a platform for neighbors to connect. Longtime residents reminisced about shared experiences while newcomers were warmly welcomed into the community. The shared laughter and lively conversations painted a picture of a thriving neighborhood fostered by the bank's initiative.

We could not have asked for a more perfect evening thanks to the hard work and organization of our team members. We look forward to continuing the Glencoe Block Party tradition into 2024 and beyond.

INVESTING IN OUR COMMUNITIES, TOGETHER.



Minnesota Agriculture

4-H Livestock Auctions

We take immense pride in our Minnesota agricultural community and are always delighted to support students in 4-H through county fair auctions.

In 2023, our total bids / donation of \$38,765 went towards state-wide livestock 4-H programs such as youth project workshops, scholarships, and education in our community.

- McLeod County - \$23,700
- Sibley County - \$7,350
- Carver County - \$4,215
- Wright County - \$3,500



Minnesota Sports

HLWW Football

Supporting youth sports teams and programs has been a cause near and dear to us since each bank's founding. From financing field improvements and upgrades, to volunteering at concession stands and ticket booths, we're involved year-round.

One of the many ways we gave to Minnesota sports in 2023 was sponsoring and serving dinner to over 200 people at Howard Lake-Waverly-Winsted Football's Pregame Party. One of Security Bank & Trust Co.'s lenders, Adam Birkholz, also serves as the team's Head Coach.



Minnesota Nonprofits

Jeans Day

In recognition of Community Impact Month, Flagship Bank rolls out individual donations to local nonprofits and community groups across the metro area. Flagship employees voluntarily put \$2/week into a jar to wear jeans on Fridays, and at the end of the year, our branches choose different organizations to receive a bank-matched donation.

This year, we were able to give \$600 to each of the following organizations: Wishes & More, LatinoLEAD, Leech Lake Legacy, and Annandale Art & Textile Center (pictured above).

BUILDING UP BUSINESSES, TOGETHER.

We are always looking for opportunities to expand our knowledge base so that we can best serve our business customers. Here are the ways we did that in 2023.



Sponsorships

In addition to allocating dollars to local nonprofits and community events, we annually sponsor local entrepreneurship groups, EO Rally and Coalition9. Both work to connect Minnesota business owners with resources and build relationships at different workshops and seminars throughout the year.



Events

This year, we strengthened our commitment to the local business community by joining several chambers of commerce throughout Carver County and the Twin Cities Metro Area. Through these partnerships, we hosted a series of networking events, fostering valuable connections between businesses and promoting collaboration within our community.



Resources

We provide a robust arsenal of free online resources for all to use including:

- [Investment Real Estate Guide](#)
- [Guide to Personal Loans & Mortgages](#)
- [Guide to Cash Management](#)
- [Guide to Business Loans](#)
- [Financing Small Business Acquisitions](#)
- [Online and Mobile Banking FAQ](#)

INVESTING IN LOCAL BUSINESSES, TOGETHER.



Minnesota Entrepreneurs

EO Rally and Coalition9

Flagship Bank expanded its support for the local business community in 2023 by sponsoring both the EO Minnesota Entrepreneurs' Rally, which connects early-stage entrepreneurs with mentors, and Coalition9's speaker series, which features panel discussions on relevant topics like economic outlook and health & wellness. This involvement provided valuable insights for both Flagship and the businesses we serve.



Minnesota Farmers

Midwinter Ag Roundup

Security Bank & Trust Co. hosted its 2nd Annual Midwinter Ag Roundup which brought together 90+ farm owners and operators. Attendees were able to gain insight into current agriculture technology, government policy, sustainability, and financing from three incredible speakers: Chad E. Colby with Colby AgTech, Joe Smentek with Minnesota Soybean Growers Association, and Brad Jordahl Redlin with the Minnesota Department of Agriculture.



Minnesota Chambers

Morning Networking Events

A few of our team members at Security Bank & Trust Co. became more involved in our local chambers this year. Both our Waconia and Chaska branches hosted a few morning networking events with other business leaders.

We find great value in these mornings spent together. The networking events allow us to discuss ongoing opportunities and needs within the community and how we can best support them.

LENDING A HAND, TOGETHER.

Food Packing with Feed My Starving Children

Demonstrating our commitment to community engagement and social responsibility, teams from both banks joined forces this year to participate in a Feed My Starving Children packing event. Working side-by-side, colleagues from diverse departments packed nearly 14,000 nutritious meals destined for children in need around the world. This collaborative effort not only provided essential support to the organization's mission but also fostered camaraderie and a shared sense of purpose amongst our employees across both brands.



Family Pathways Giving Tree

Building on a tradition that spans over four decades, we continued our impactful partnership with Family Pathways in 2023. This vital organization champions the well-being of individuals and families affected by domestic and sexual violence, offering crucial support through healthy food access, advocacy assistance, and comprehensive care programs.

This year, thanks to the remarkable generosity of our customers and team members, we were able to bring a brighter holiday season to 50 families. We are deeply grateful for the opportunity to make a positive difference alongside Family Pathways and look forward to continuing this meaningful collaboration in the years to come.

Tackling Farm Fatigue in Minnesota

In 2023, we continued our longstanding commitment to supporting local agriculture through our participation in the Farm Fatigue initiative. Partnering for the 15th consecutive year with the Hutchinson Area Chamber of Commerce and Tourism and the Glencoe Area Chamber of Commerce, we assembled and delivered 300 gift bags and buckets filled with appreciation items to McLeod County farmers during fall harvest. This initiative exemplifies our dedication to recognizing the hard work and dedication of our agricultural community.



WALKING, TOGETHER.

From Branches to Boulevards

Throughout the summer season, team members from both banks, proudly walked in various local parades, fostering connections with thousands of residents across our region. From waving alongside marching bands and youth groups to handing out candy and informational materials, our employees embraced the spirit of shared celebration. These interactions fostered genuine dialogue, allowing us to connect with residents on a personal level and gain valuable insights into their needs and aspirations.

Walking the Walk for RSCRCF

Every year, Flagship Bank trades cash counting for running shoes and joins the Randy Shaver Cancer Research and Community Fund's annual Shaver Shuffle 5K. More than just a race, the event was a poignant reminder of the lives touched by cancer and the unwavering spirit of those fighting it. From families pushing strollers to seasoned runners powering across the finish line, the energy was palpable.

Our participation went beyond individual commitment. As a longstanding donor, we proudly contribute \$15,000+ to the Randy Shaver Fund every year. This sum was part of \$1.1 million in grant distributions fueling cutting-edge cancer research and technology, paving the way for a healthier Minnesota and beyond.

WINNING, TOGETHER.



BEST Bank
BEST Mortgage Lender

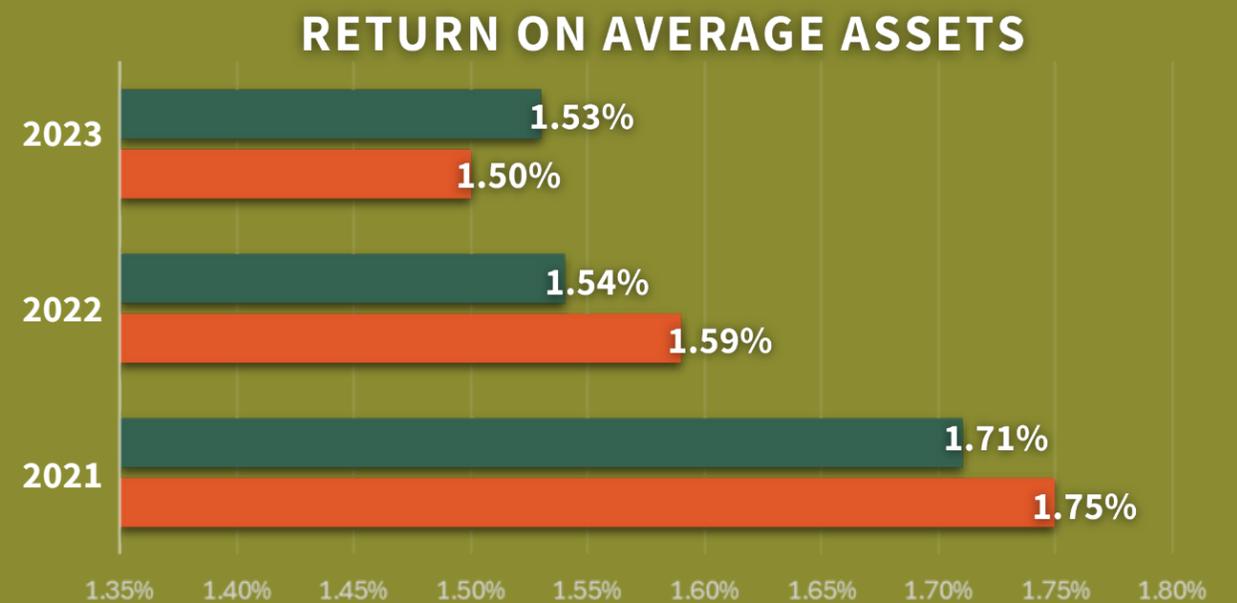
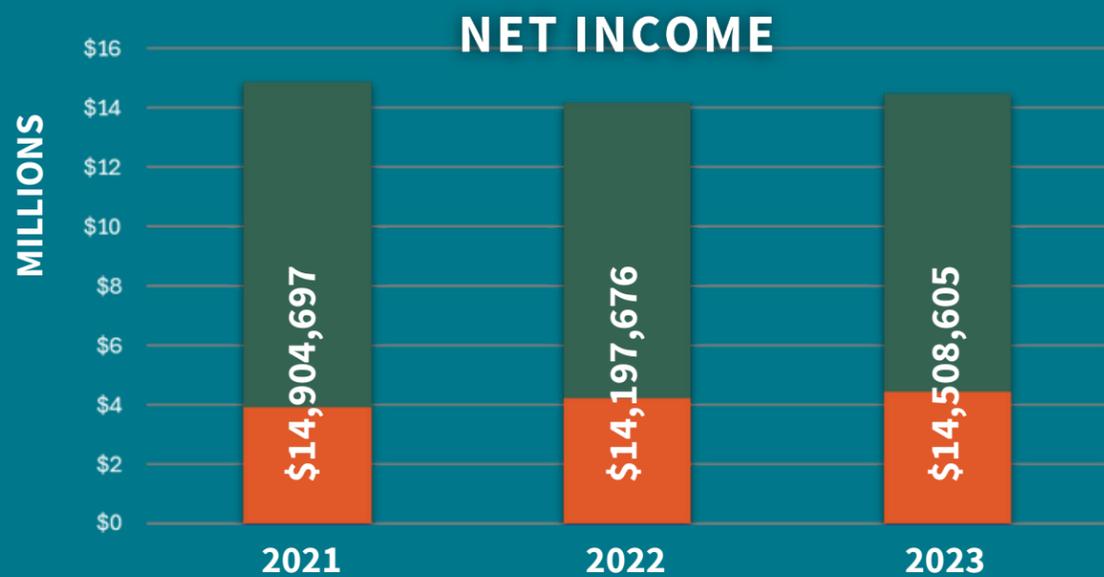
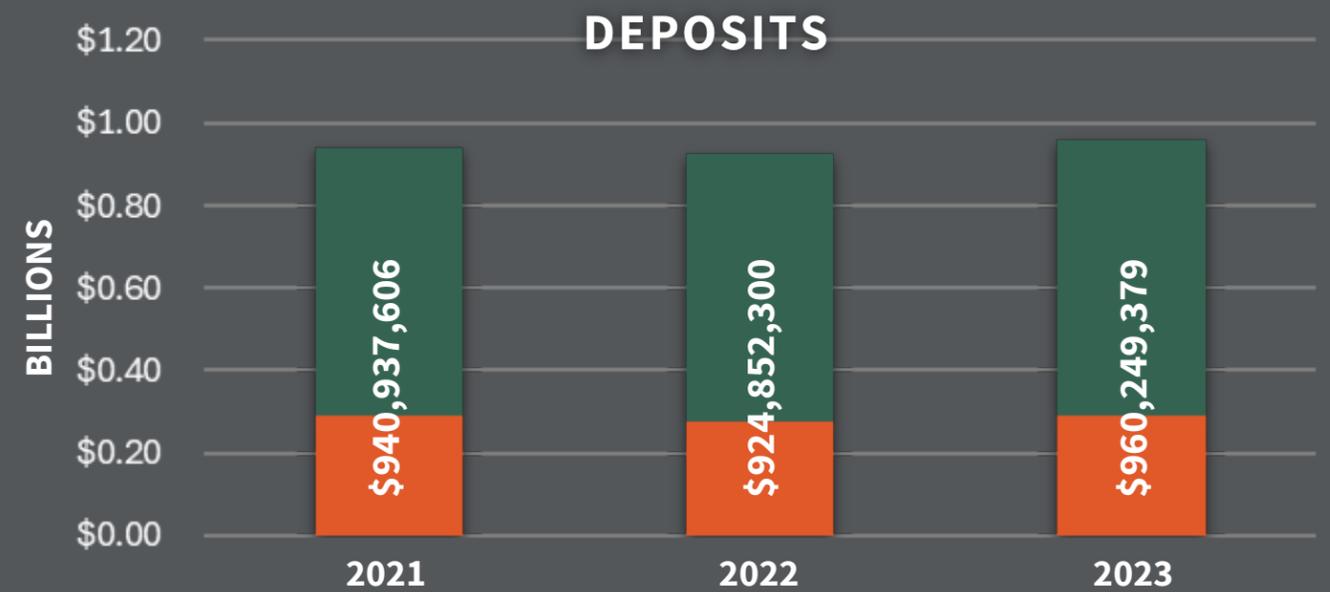
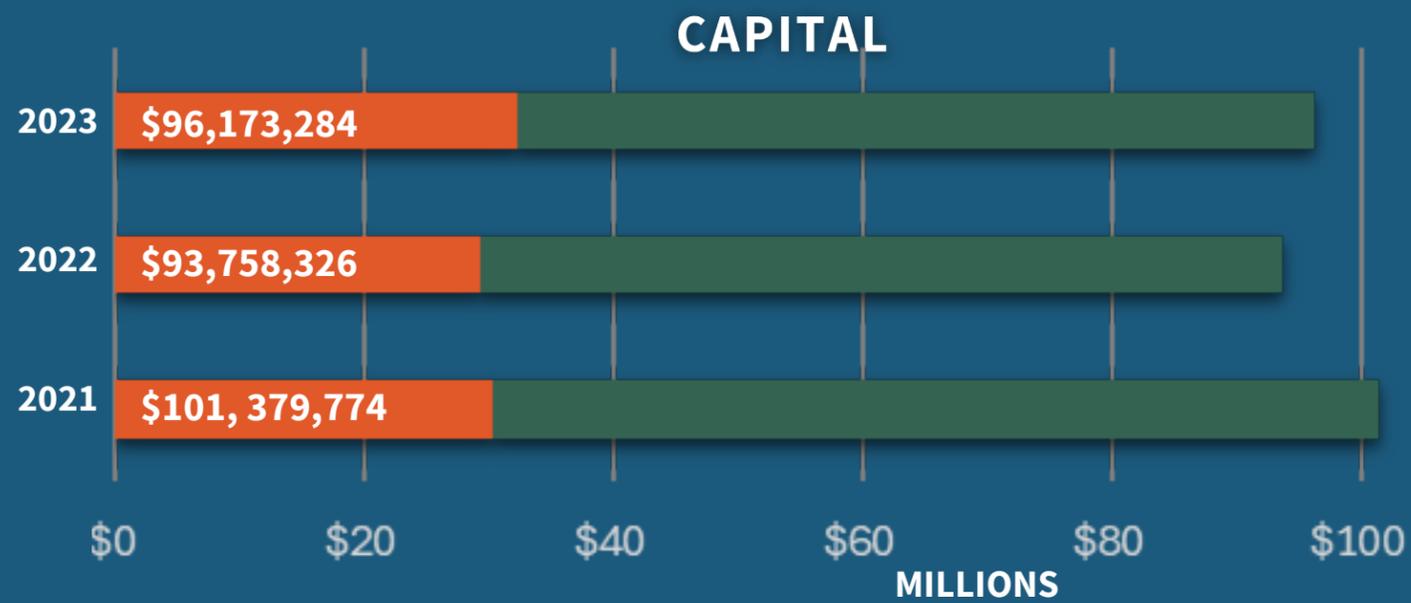
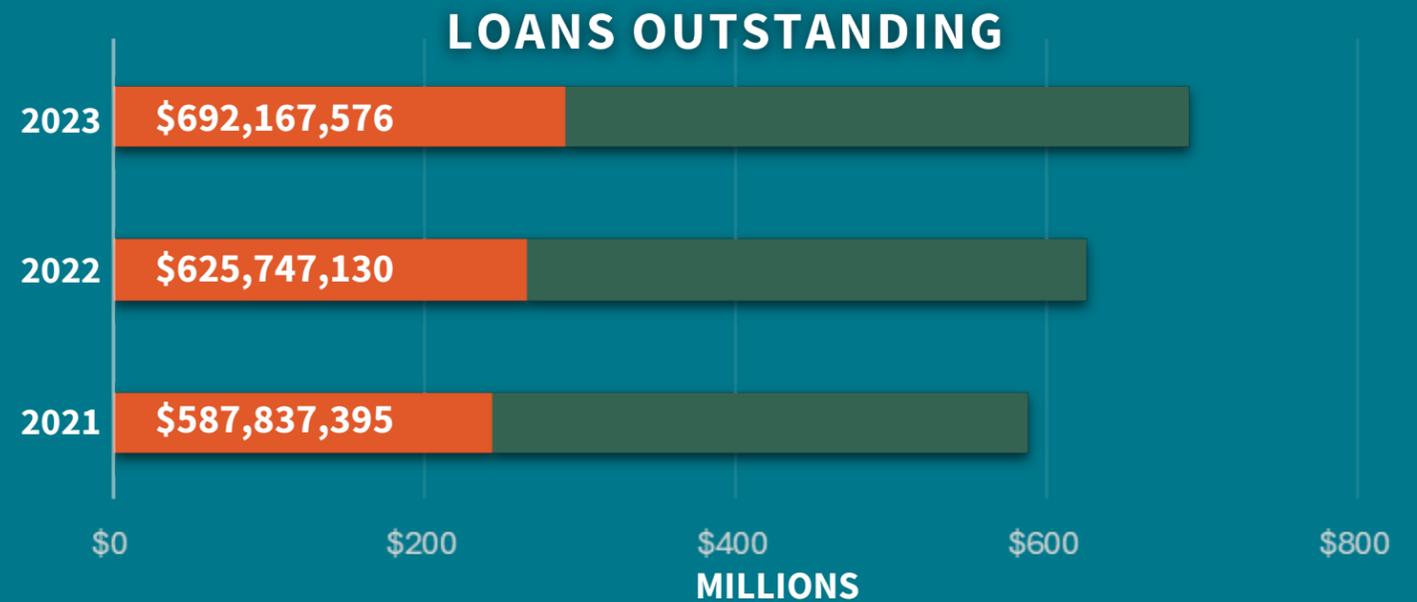
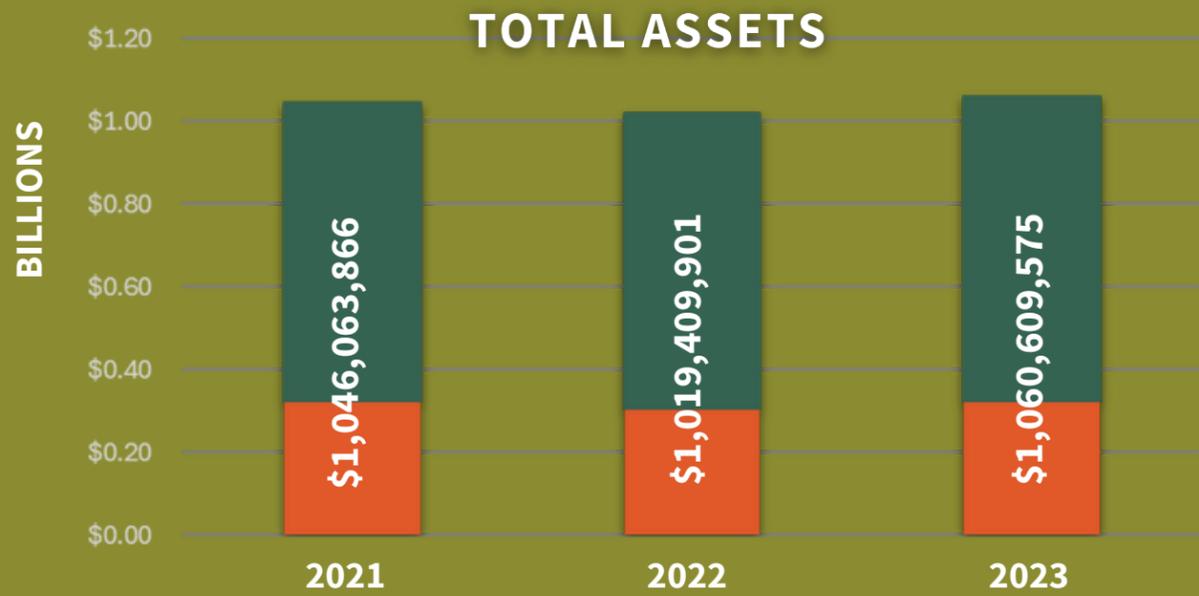


Isanti County



BEST Business Bank
BEST Small Business Banking
BEST Commercial Mortgage Lender





FINANCIAL SUMMARY

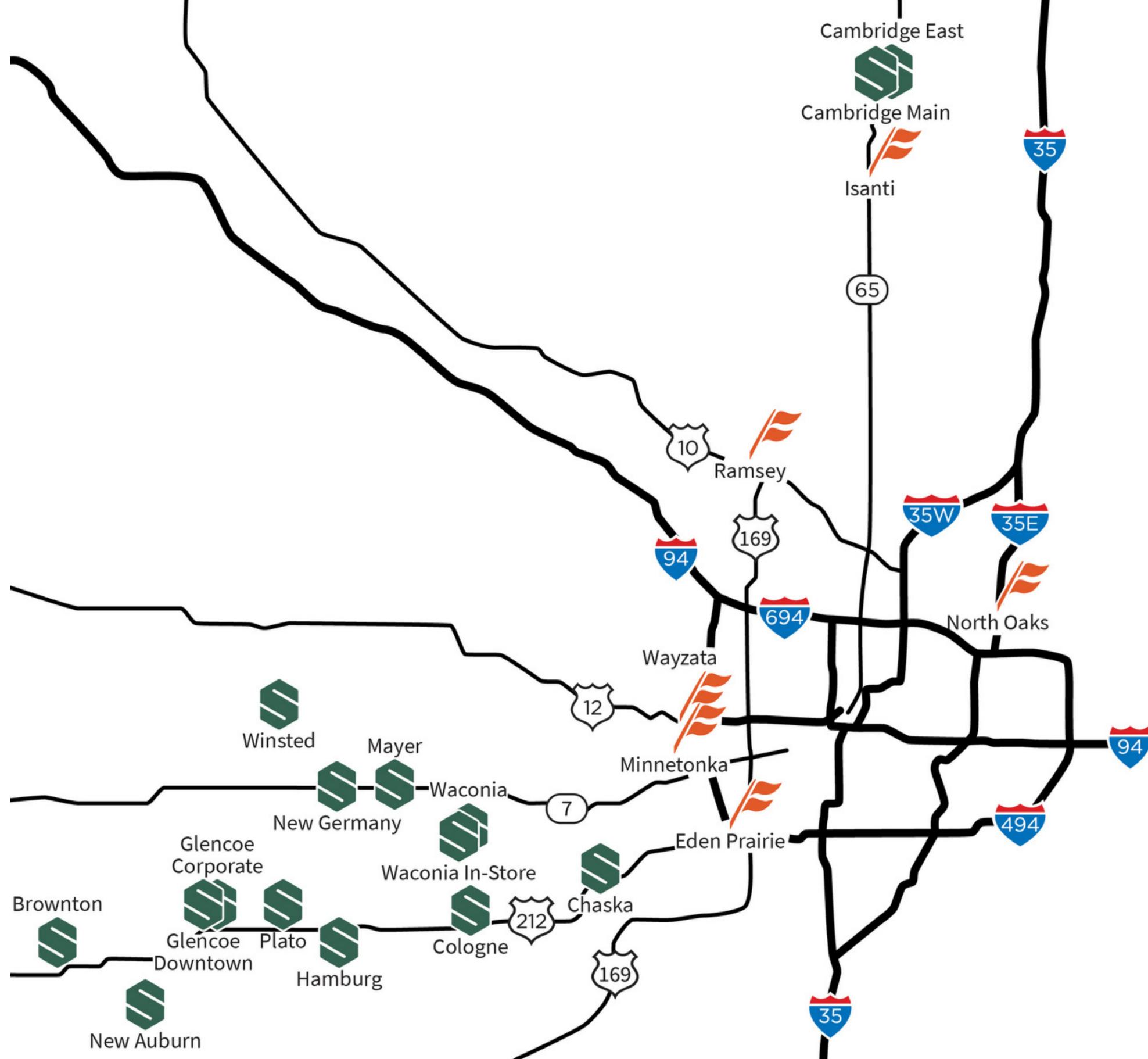
\$70.90M | **9.07%** | **8.37%**
Tier 1 Capital = Reserves | *Tier 1 Capital Ratio* | *Loan Growth Since 2020*

ASSETS	2021	2022	2023
Cash and Cash Equivalents	\$200,639,769	\$122,429,179	\$54,565,006
Investments	170,155,478	226,702,978	266,626,535
Net Loan	343,915,911	359,529,898	401,227,371
Fixed Assets	5,018,172	4,554,888	4,240,095
Other Assets	586,178	395,761	7,366,720
Total Assets	\$720,315,508	\$713,612,704	\$734,025,727
LIABILITIES & STAKEHOLDER EQUITY	2021	2022	2023
Deposits	\$648,879,912	\$648,617,864	\$668,817,285
Interest Payable	131,339	276,520	-
Other Liabilities	266,460	232,145	1,370,818
Total Liabilities	\$649,277,711	\$649,126,529	\$670,188,103
Stakeholders' Equity	\$71,037,797	\$64,486,175	\$63,837,624
Total Liabilities & Stakeholders' Equity	\$720,315,508	\$713,612,704	\$734,025,727
INCOME & EXPENSES	2021	2022	2023
Net Interest Income	\$18,241,134	\$19,650,834	\$21,084,671
Noninterest Income	6,252,876	4,516,771	3,828,212
Total Revenue	\$24,494,010	\$24,167,605	\$24,912,883
Provision for Loan Loss	-	-	309,000
Occupancy and Equipment Expenses	2,223,695	2,149,522	1,503,374
Personnel Expenses	8,292,763	9,085,467	7,756,869
Other Expenses	1,901,305	1,922,380	4,288,796
Income Before Income Taxes	\$12,076,247	\$11,010,236	\$11,054,844
Provisions for Income Taxes	1,100,000	1,048,849	965,796
NET INCOME	\$10,976,247	\$9,961,387	\$10,089,048
FINANCIAL RATIO	2021	2022	2023
Pre-tax Return on Average Assets	1.71%	1.54%	1.53%
Pre-tax Return on Average Equity	17.10%	16.25%	17.32%
Efficiency Ratio	53.48%	53.76%	53.18%
Net Charge-offs as a % of Average Loans	0.00%	-0.01%	0.01%
Nonperforming Assets as a % of Total Assets	0.15%	0.11%	0.36%

FINANCIAL SUMMARY

\$35.41M | **9.92%** | **28.60%**
Tier 1 Capital = Reserves | *Tier 1 Capital Ratio* | *Loan Growth Since 2020*

ASSETS	2021	2022	2023
Cash and Cash Equivalents	\$ 57,940,279	\$ 7,424,368	\$ 3,331,827
Investments	12,977,277	21,761,024	21,656,391
Net Loan	243,921,484	266,217,232	290,940,205
Fixed Assets	6,735,027	6,459,064	6,585,374
Other Assets	4,174,290	3,935,509	4,070,051
Total Assets	\$325,748,358	\$305,797,197	\$326,583,848
LIABILITIES & CAPITAL	2021	2022	2023
Deposits	\$292,057,694	\$ 276,234,436	\$ 291,432,094
Borrowed Funds	-	-	1,010,000
Other Liabilities	3,348,687	290,609	1,806,094
Total Liabilities	\$295,406,381	\$276,525,045	\$294,248,188
Capital	\$30,341,977	\$29,272,151	\$32,335,660
Total Liabilities & Capital	\$325,748,358	\$ 305,797,197	\$ 326,583,848
INCOME & EXPENSES	2021	2022	2023
Net Interest Income	\$ 11,421,540	\$ 10,945,224	\$ 11,720,486
Noninterest Income	1,594,601	2,133,921	1,278,972
Total Revenue	\$ 13,074,287	\$ 13,079,145	\$ 12,999,458
Provision for Loan Loss	250,000	150,000	250,000
Occupancy Expenses	1,053,520	1,154,196	1,179,355
Personnel Expenses	4,460,724	4,926,307	4,953,299
Other Expenses	1,665,901	1,685,798	1,696,337
Income Before Income Taxes	\$ 5,664,142	\$ 5,162,844	\$ 4,920,467
Income Taxes	1,715,692	926,555	500,910
NET INCOME	\$ 3,928,450	\$ 4,236,289	\$ 4,419,557
FINANCIAL RATIO	2021	2022	2023
Pre-tax Return on Average Assets	1.75%	1.59%	1.50%
Pre-tax Return on Average Equity	19.92%	17.03%	15.22%
Efficiency Ratio	54.50%	59.00%	59.84%
Net Charge-offs as a % of Average Loans	0.00%	-0.05%	0.01%
Nonperforming Assets as a % of Total Assets	0.01%	0.01%	0.01%





BOARD OF DIRECTORS

Gale Hoese
Andy Schornack
Tom Ollig
Chad Hoese
Troy Williams
Larry Herrmann

SENIOR MANAGEMENT TEAM

Gale Hoese - CEO
Andy Schornack - President
Rachel Schuette - COO

CORPORATE OFFICERS

Luke Baker - Credit Manager
Adam Birkholz - VP Commercial Lending - Branch Manager
Alex Brown - Retail Operations Manager
Jon Dahlke - Vice President
Joel Ebert - VP Commercial / Ag Loan Officer
Amy Gatz - Asst. VP Real Estate Loan Officer
JoAnn Halberg - Executive Vice President - Trust
Cindy Harman - Vice President of Operations
Kevin Hegland - Vice President - Branch President
Jon Hoese - Vice President
Marcus Hoffman - Executive Vice President - Trust
Pamela Kutz - VP Loan Officer
Adam Lindeman - Ag Loan Officer
Penny Lindeman - Compliance Officer
Judy Meyer - Vice President - Branch Manager
Nancy Morris - Sr. Vice President - Trust
Kellie Oestrich - Human Resources Manager
Keith Peters - Branch President
David Resch - VP Ag Loan Officer
Tina Rosckes - Sr. Vice President - Trust Officer
Mary Stoltenburg - VP Real Estate Loan Officer
Marilee Vacek - Corporate Secretary
Geraldyn Vanderlinde - Branch Manager
Jacob Vasek - Jr. Loan Officer
Dan Wilson - VP Portfolio Management - Trust
Scott Zacharias - Vice President



BOARD OF DIRECTORS

Gale Hoese
Binh Le
Andy Schornack
Dave Schornack
Brian Wagner

SENIOR MANAGEMENT TEAM

Andy Schornack - CEO
Brian Wagner - President

CORPORATE OFFICERS

Lisa Domogalla - Assistant VP Loan Operations
Shane Haggerty - VP Business Banking
Ben Haselhorst - VP Credit Manager
Jeremy Hoese - VP Business Banking
Frank Inamagua - VP Business Banking
Jillian Johnson - VP Business Banking / Cash Management
Don Kleinschmidt - EVP Business Banking
Tom Kleinschmidt - Senior VP Business Banking
Ken Munroe - Senior VP Business Banking
Terry Ottinger - Senior VP Retail Banking Officer
Lynn Rhodes - EVP Risk Management
Joe Schornack - VP Business Banking
Julie Schornstein - EVP Customer Operations
Mitch Steckler - VP Accounting Officer
Athina Thornton - VP BSA/AML/OFAC Officer
Samantha Vine - VP Compliance Officer
Brandon Wiltgen - Senior VP Business Banking



GROWING,
TOGETHER.



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